



**STATE OF HAWAII**  
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## **EUTF EXTENDS HMSA HEALTH INSURANCE CONTRACT**

### **New terms result in substantial savings to state; HMSA to return \$17.5 million to EUTF**

HONOLULU – The Board of the Hawaii Employer Union Health Benefits Trust fund (EUTF) elected to exercise its option to extend for two more years the current contract with HMSA to provide health insurance to Hawaii's active and retired public sector workers. The option period runs through June 30, 2007 and covers an estimated 66,500 current and retired State and County employees.

Earlier this year the Board considered asking competing firms to submit proposals on the medical and prescription drug plans. The Board elected to exercise its right to extend the existing contract because it will result in substantial savings to the State and ensure that public service workers experience no disruptions in the provision of their health care services.

Key features of the HMSA contract option include:

- a **decrease** in the premium costs for existing retirees
- modest increases in premiums for active employees, below what current medical market trends are experiencing
- a return of approximately \$17.5 million from HMSA to the Fund

Board Chairman, Katherine Thomason praised the Board's decision pointing out, "The planned request for competitive proposals caused HMSA to offer extremely favorable rates to the State for the next two years." An independent analysis of the proposal, done by Garner Consulting, concluded that the HMSA rates (7.4% for active employee medical plans and prescription drug

plans) compared positively when contrasted with a 17 % increase in Medicare premiums and projected increases of 13% for similar plans nationwide in 2005.

The EUTF Board believes the return of an estimated \$17.5 million in surplus funds will allow the establishment of a self-insured plan which could bring substantial savings to the State's health care costs in future years. "The Board views self-insurance as a critical means to control future costs of health benefit plans for state and county employees and retirees," said Thomason. The earliest projected date that the EUTF anticipates self-insuring would be July 1, 2007.

The Employer-Union Health Benefits Trust Fund was created by the Legislature and became effective in July 2003 to design, establish and administer health and other benefit plans for all State and County employees, retirees, and their dependents. It replaced the former Hawaii Public Employee Health Fund.

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